

I Introduction

The Sevier County Government (the “County”) on behalf of the Assessor is seeking proposals from interested and qualified firms to conduct personal property tax assessment audits in Sevier County Tennessee (the “services”). This Request for Qualifications (“RFP”) is being released to invite interested and qualified firms to prepare and submit proposals in accordance with instructions provided where one successful candidate will be selected and invited to enter into a contractual relationship with Sevier County for the Services outlined in this RFP. In this RFP the terms Proposer and Contractor are used interchangeably unless the context indicates otherwise.

II Minimum Proposer Requirements

All Proposers offering to complete this project must meet the following criteria:

1. They must be a CPA Firm
2. They must have at least three years experience working on behalf of Assessor’s Office and County Government with Personal Property Audits and demonstrate a guaranteed code of ethics and integrity
3. They must have demonstrated knowledge of the Rules of Tennessee State Board of Equalization Assessment of Commercial and Industrial Tangible Personal Property
4. Prior to awarding this proposal the Assessor may chose to request a meeting with the individual assigned to the project to personally evaluate their knowledge and instructing skills

III Correspondence

All correspondence including proposals and questions concerning the RFP are to be submitted to:

Johnny King
Property Assessor
125 Court Avenue
Suite 210W
Sevierville, TN 37862
Attn: Perrin Anderson – Property Assessor Bid

IV Proposal Submission Deadline

All proposals must be received at the address listed above no later than 10:00 a.m. on January 17, 2013. Facsimile or electronically transmitted proposals will not be accepted since they do not contain original signatures postmarks will not be accepted in lieu of actual receipt. Late or incomplete proposals may not be opened and considered. Under no circumstances regardless of weather conditions transportation delays or any other circumstances will this deadline be extended.

V Proposal Timeline

Sevier County reserves the right to modify this timeline at anytime. If the due date for proposals is changed all prospective proposers shall be notified.

Request for Proposals Released	January 10, 2013
Proposal Due Date and Time	January 17, 2013 @ 10:00 a.m.
Notification of Award	January 17, 2013

The County may reproduce any of the Proposer's proposal and supporting documents for internal use or for any other purpose required by law.

VI Proposal Conditions

A. Contingencies

This RFP does not commit the County to award a contract. The County reserves the right to accept or reject any or all proposals if the County determines it is in the best interest of the County to do so. The County will notify all Proposers in writing if the County rejects all proposals.

B. Modifications

The County reserves the right to issue addenda or amendment to this RFP

C. Proposal Submission

To consider, all proposals must be submitted in the manner set forth in this RFP. It is the Proposer's responsibility to ensure that its proposals arise on or before the specified time.

D. Incurred Costs

The RFP does not commit the County to pay any costs incurred in the preparation of a proposal in response to this RFP and Proposers agree that all costs incurred in developing this RFP are the Proposer's responsibility.

E. Final Authority

This final authority to award a contract rests solely with the Sevier County Commission.

VI General Requirements

A. Background

The Sevier County Property Assessor is required by State Law to conduct personal property tax assessment compliance program audits. The selected Contractor will be required to perform the audit in compliance with State Rules and State's Field Audit Compliance Program attached hereto respectively as Attachments 1 and 2.

B. Scope of Contract

The County wishes to engage in a contractual relationship with the best-qualified Contractor selected through a competitive process that will work well with the Assessor's in the performance of the Services in a manner that is cost-effective and practical. The Contractor must be prepared to begin immediately upon receipt of a Notice to Proceed.

The Contractor will use the following objectives in the performance of the Services:

- (i) Development of models and project plans to identify potentially unreported or underreported properties.

- (ii) Targeting specific businesses where audits would be arranged and carrying out the inspection and review of those firms' financial records; verifying accuracy of personal property advalorem tax returns.
- (iii) Providing on an as-needed basis representation of behalf of the County as an expert witness during litigation.

1. Purpose

To select the best-qualified firm and award a County-approved contract for professional services to perform the Services and to satisfactorily complete all activities associated with the personal property tax assessment audits for the Assessor.

2. Services Required

Specifically, the Contractor will be required to perform under the direction of the Assessor of Property the following Services:

- (i) As may be required, participate in the creation of any required statistical analysis to identify those businesses that are most likely candidates for audit. This will include analysis of returns of business, along with other information, in order to point out possible under reporting or other problems
- (ii) As directed by the Assessor of Property, conduct on-site audits of businesses and perform other fieldwork as may be required to document the accuracy of returns. Audits must verify office and production equipment, leasehold improvements, inventories (work in process and raw materials), and other assets for advalorem tax returns.

The Contractor will be expected to perform a minimum the following in connection with audits;

- (i) Planning taxpayer notification and audit scheduling, physical site inspection, examination of accounting records and tax documents, preparation and Presentation of audit results with County and with audited companies.
- (ii) As directed, draft notices of deficiency, correspondence, or other documents associates with audit findings. Although the County may provide its own stationery, the Proposer will be responsible for all written correspondence with the taxpayers.
- (iii) Making presentations to County officials and others; also serving on behalf of the County as an expert witness in tax-related litigation, or before administrative appeal bodies.
- (iv) Making detailed written reports of findings.
- (v) As requested, offering plans and recommendations for changes in procedures, with the objective of improving compliance by the business community.
- (vi) Planning and project administration shall remain under the overall control of the Property Assessor's Office as to all aspects of tax compliance and verification of Business Tangible Personal Property Reports.

With respect to the Accounts randomly selected by the State of Tennessee the County must include all sampled accounts with personal property values \$50,000 and over. In the event the County chooses to expand the work, the same terms and rates shall apply. In the event of such expansion, an amendment to the Contract shall be necessary.

As part of the contract price, Contractor agrees to defend its audit findings, recommendations and the County's appraisals based thereon by serving as the County's expert witness throughout the appeals process.

3. Reservation of Rights

The County reserves the right, for any reason to accept or reject any one or more proposals, to negotiate the term and specifications for the services provided, to modify any part of the RFP, or to issue a new RFP.

4. Award of Contract

Proposers are advised that the lowest cost proposal will not necessarily be awarded the contract, as the selection will be based upon qualifications criteria as deemed by the County and as determined by the selection committee and the County Mayor.

VII Contract Requirements

The successful Proposer will be expected to enter into a contract incorporating the following terms and conditions, and such additional terms and conditions standard to services of this type.

A. General Requirements

1. Control. All services by the Contractor will be performed in a manner satisfactory to the County, and in accordance with the generally accepted business practices and procedures of the County.
2. Contractor's Personnel. The Contractor certifies that it presently has adequate qualified personnel to perform all services required under this Contract. All work under this Contract will be supervised by the Contractor. The Contractor further certifies that all of its employees assigned to serve the County have such knowledge and experience as required to perform the duties assigned to them. Any employee of the Contractor who, in the opinion of the County, is incompetent, or whose conduct becomes detrimental to the work, shall immediately be removed from association with services under this Contract.
3. Independent Status. (a) Nothing in this Contract shall be deemed to represent that the Contractor, or any of the Contractor's employees are agents, are the agents, representatives, or employees of the County. The Contractor will be an independent contractor over the details and means for performing its obligations under this Contract. Anything in this Contract which may appear to give County the right to direct the Contractor as to the details of the performance of its obligations under this Contract or to exercise a measure of control over the Contractor is solely for the purposes of compliance with local, state and federal regulations and means that the Contractor will follow the desires of the County only as to the intended results of the scope of this Contract.

- (b) It is further expressly agreed and understood by Contractor that neither it nor its employees or agents are entitled to any benefits which normally accrue to employees of the County; that Contractor has been retained by the County to perform the services specified herein (not hired) and that the remuneration specified herein is considered fees for services performed (not wages) and that invoices submitted to the County by Contractor for services performed shall be on the Contractor's letterhead.
4. Termination Or Abandonment. (a) It shall be cause for the immediate termination of this Contract if, after its execution, the County determines that either.
- (i) the Contractor or any of its principals, partners or corporate officers, if a corporation, including the corporation itself, has plead nolo contendere, or has plead or been found guilty of a criminal violation, whether state or federal, involving, but not limited to, governmental sales or purchases, including but not limited to the rigging of bids, price fixing, or any other collusive and illegal activity pertaining to bidding and governmental contracting.
 - (ii) Contractor subcontracted, assigned, delegated, or transferred it rights, obligations or interests under this Contract without the County's consent or approval.
 - (iii) Contractor has filed bankruptcy, become insolvent or made an assignment for the benefit of creditors, or a receiver, or similar office is appointed to take charge of all or part of Contractor assets.
 - (b) The County may terminate the Contract upon five (5) days written notice by the County or its authorized agent to the Contractor for Contractor's failure to provide the services specified under this Contract.
 - (c) This Contract may be terminated by either party by given thirty (30) days written notice to the other, before the effective date of termination. In the event of such termination, the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work performed as of the termination date; however, Contractor shall not be Reimbursed for any anticipatory profits that have not been earned as of the date of termination.
 - (d) All work accomplished by Contractor prior to the date of such termination shall be recorded and tangible work documents shall be transferred to any become the sole property of the County prior to payment for services rendered.
 - (e) Notwithstanding the above, Contractor shall not be relieved of liability to the County for damages sustained by the County by virtue of any breach of the Contract by Contractor and the County may withhold any payments to Contractor for the purposes of setoff until such time as the exact amount of damages due to County from Contractor is determined.
5. Subcontracting, Assignment Or Transfer. Any subcontracting, assignment, delegation or transfer of all or part of the rights, responsibilities, or interest of either party to this Contract is prohibited unless by written consent of the other party. Not subcontracting assignment, delegation or transfer shall relieve the Contractor from performance of its duties under this contract. The County shall not be responsible for the fulfillment of the Contractor's obligations to its transferors or subcontractors. Upon the request of the other party, the subcontracting assigning, delegating or transferring party shall provide all documents evidencing the assignment.

6. Conflict Of Interest. The Contractor covenants that it has no public or private interest, and will not acquired directly or indirectly any interest which would conflict in any manner with the performance of its services. The Contractor warrants that no part of the total contract amount provided herein shall be paid directly or indirectly to any officer or employee of the County as wages, compensation, or gifts in exchange for acting as officer, agent, employee, subcontractor or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
7. Covenant Against Contingent Fees. The Contractor warrants that it has not employed or retained any company or person other than a bona fide employee working solely for the Contractor, to solicit or secure this Contract, and that it has not paid or agreed to pay any company or person, other than a bona fide employee working solely for the Contractor any fee, commission, percentage, brokerage fee, gift, or any other consideration contingent upon or resulting from the award or making of this Contract. For breach of violation of this warranty, the County will have the right to recover the full amount of such fee, commission, percentage, brokerage fee, gift or other consideration.
8. Employment Of County Workers. The Contractor will not engage, on a full or part-time, or other basis during the period of the Contract, any professional or technical personnel who are or have been at any time during the period of the Contract in the employ of the County.
9. Arbitration. Any dispute concerning a question of fact in connection with the work not disposed of any agreement between the Contractor and the County will be referred to the Sevier County Mayor or his duly authorized representative, whose decision regarding same will be final.
10. General Compliance With Laws. (a) If required, the Contractor certified that it is qualified or will take steps necessary to qualify to do business in the State of Tennessee and that it will take such action as, from time to time may be necessary to remain so qualified and it shall obtain, at its expense all license, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.
 - (b) The Contractor is assumed to be familiar with the agrees that at all times it will observe and comply with all federal, state, and local laws, ordinances, and regulations in any manner affecting the conduct of the work. The preceding shall include, but it not limited to compliance with all Equal Employment Opportunity laws, the Fair Labor Standards Act, Occupational Safety and Health Administration (OSHA) requirements, and the Americans with Disabilities Act (ADA).
 - (c) This Contract will be interpreted in accordance with the laws of the State of Tennessee. By execution of this contract the Contractor agrees that all actions, whether sounding in contract or in tort, relating to the validity, construction, interpretation and enforcement of this contract will be instituted and litigated in the courts of the State of Tennessee, located in Sevier County, Tennessee, and in no other. In accordance herewith, the parties to this contract submit to the jurisdiction of the courts of the State of Tennessee located in Sevier County, Tennessee.
11. Entire Agreement. This Contract contains the entire Contract of the parties and there are no other promises or conditions in any other Contract whether oral or written. This Contract supersedes any prior written or oral Contracts between the parties.

12. Amendment. This Contract may be modified or amended, only if the amendment is made in writing and is signed by both parties.
13. Severability. In any provision of this Contract is held to be unlawful, invalid or unenforceable under any present or future laws, such provision shall be fully severable; and this Contract shall then be construed and enforced as if such unlawful, invalid or unenforceable provision had not been a part hereof. The remaining provision of this Contract shall remain in full force and effect and shall not be affected by such unlawful, invalid or unenforceable provision or by its severance here from. Furthermore, in lieu of such unlawful, invalid, or unenforceable provision, there shall be added automatically as a part of this Contract a provision as similar in terms to such unlawful, invalid or unenforceable provision as may be possible, and be legal, valid and enforceable.
14. No Waiver Of Contractual Right. No waiver of any term, condition, default, or breach of this Contract, or of any document executed pursuant hereto, shall be effective unless in writing and executed by the party making such waiver, and no such waiver shall operate as a waiver of either (a) such term, condition, default, or breach on any other occasion or (b) any other term, condition, default, or breach of this Contract or of such document. No delay or failure to enforce any provision in this Contract or in any document executed pursuant hereto shall operate as a waiver of such provision or any right or remedy it may have under this Contract or applicable law shall not be deemed an election of remedies or otherwise prevent such party from enforcement of one or more other remedies at any time.
15. Matters To Be Disregarded. The titles of the several sessions, subsections and paragraphs set forth in this contract are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of the provisions of this contract.
16. Subject To Funding. This Contract is subject to annual appropriations of funds by the Sevier County Government. In the event sufficient funds for this Contract are not appropriated by the Sevier County Government for any of its fiscal period during the term hereof, then this Contract will be terminated. In the event of such termination, the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work performed as of the termination date.
17. Incorporation Of Other Documents. (a) Contractor shall provide services pursuant to this Contract in accordance with the terms and conditions set forth within the Sevier County Request for Proposals/Bid as well as the Response of Contractor thereto, all of which are maintained on file within the Sevier County Mayor's Office and incorporated herein by reference.

(b) It is understood and agreed between the parties that in the event of a variance between the terms and conditions of this Contract and any amendment thereto and the terms and conditions of this Contract as well as any amendment shall take precedence and control the relationship and understanding of the parties.
18. Contracting With Small And Minority Firms And Women's Business Enterprise. The Contract shall take affirmative action to assure that Small and Minority Businesses are utilized when possible as sources of supplies, equipment, construction and services and will in addition take similar appropriate affirmative action in support of Women's Business Enterprises.

19. Incorporation Of Whereas Clauses. The foregoing whereas clauses are hereby incorporated into this Contract and made a part hereof.
 20. Waiver Of Proprietary Interest. Notwithstanding anything to the contrary contained herein or within any other document supplied to County by Contractor, Contractor understands and acknowledges that County is a governmental entity subject to the laws of the State of Tennessee and that any reports, data or other information supplied to County by Contractor due to services performed pursuant to this Contract is subject to being disclosed as a public record in accordance with the laws of the State of Tennessee.
 21. Organization Status And Authority. (a) Contractor represents and warrants that it is a corporation, limited liability company, partnership, or other entity duly organized, validly existing and in good standing under the laws of the State of Tennessee; it has the power and authority to own its properties and assets and is duly qualified to carry on its business in every jurisdiction wherein such qualifications is necessary.
 - (b) The execution, delivery and performance of this Contract by the Contractor has been duly authorized by all requisite action and will not violate any provision of law, any order of any court or other agency of government, the organizational documents of Contractor, any provision of any indenture, agreement or other instrument to which Contractor is a party , or by which Contractor's respective properties or assets are bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets.
- B. Indemnification and Insurance Requirements
1. Responsibilities For Claims And Liabilities, (a) Contractor shall indemnify, defend, save and hold harmless the County, and its elected officials, officers, employees, agents, assigns, and instrumentalities from and against any and all claims, liability, losses or damages – including but not limited to Title VII and 42 USC 1983 prohibited acts – arising out of or resulting from any conduct; whether actions or omissions: whether intentional, unintentional, or negligent: whether legal or illegal; or otherwise that occur in connection with or in breach of this Agreement or in the performance of the duties hereunder, whether performed by the Contractor its subcontractors, agents, employees or assigns. This indemnification shall survive the termination or conclusion of this Agreement.
 - (b) Contractor expressly understands and agrees that any insurance protection required by this Agreement or otherwise provided by the Contractor shall in no way limit the responsibility to indemnify, defend, save and hold harmless the County or its elected officials, officers, employees, agents, assigns, and instrumentalities as herein provided
 - (c) The County has no obligation to provide legal counsel or defense to Contractor or its subcontractors in the event that a suit, claim or action of any character is brought by any person not party to this agreement against Contractor as a result of or relating to obligations under this agreement.
 - (d) Except as expressly provided herein, the County has no obligation for the payment of any judgment or the settlement of any claims against Contractor as a result of or relating to obligations under this agreement.

- (e) Contractor shall immediately notify the County, c/o Sevier County Mayor's Office, 125 Court Avenue, Suite 201E, Sevierville, Tennessee 37862 of any claim or suit made or filed against Contractor or its subcontractors regarding any matter resulting from or relating to Contractor's obligations under this agreement and will cooperate, assist and consult with the County in the defense or investigation thereof.
2. Insurance Requirements. Contractor will provide evidence of the following insurance coverage:
- (a) Professional Liability coverage with limits of \$1,000,000.00 per occurrence \$2,000,000.00 annual aggregate for this contract, coverage written on claims made policy form with an A rated insurer.
 - (b) Commercial General Liability – Minimum limit \$1,000,000.00 per occurrence single limit for bodily injury and property damage.
 - (c) Worker's Compensation – Contractor will provide Worker's Compensation Coverage for all its eligible employees in accordance with the law of the State of Tennessee.
 - (d) Automobile Liability – Minimum limit of \$1,000,000.00 per occurrence on all owned, hired and non-owned autos

All policies will provide for 30 days written notice to Sevier County of cancellation or material change in coverage provided

C. Right to Monitor and Audit

Access To Records. During all phases of the work and services to be provided hereunder Contractor agrees to permit duly authorized agents and employees of the County, to enter Contractor's Offices for the purpose of inspections, review and audits during normal working hours. Reviews may also be accomplished at meetings that are arranged at mutually agreeable time and places. The Contractor will maintain all books, documents, papers, accounting records, and other evidence pertaining to the fee paid under this Contract and make sure materials available at their offices at all reasonable times during the period of this Contract and for three years from the date of payment under this Contract for inspection by the County or by any other governmental entity or agency participating in the funding of this Contract, or any authorized agents thereof; copies of said records to be furnished if requested.

VII Proposal Submission

A. General

- 1. All interest and qualified Proposers are invited to submit a proposal for consideration. Submission of a proposal indicates that the Proposers has read and understands this entire RFP, including all attachments, exhibits schedules and addendum (as applicable,) and all concerns regarding this RFP have been satisfied.

2. Proposals must be submitted in the format described below. Proposals are to be prepared in such a way as to provide a straightforward, concise description of capabilities to satisfy the requirements of this RFP. Expensive bindings, colored displays, promotional materials, etc. are neither necessary nor desired. Emphasis should be concentrated on conformance to the RFP instructions, responsiveness to the RFP requirements, and on completeness and clarity of content
3. Proposals must be complete in all respects as required in this section. A proposal may not be considered if it is conditional or incomplete
4. Proposals must be received no later than 10:00 a.m. on January 17, 2013 by the Sevier County Property Assessor's Office, 125 Court Avenue, Suite 210W, Sevierville, Tennessee 37862 Attn: Perrin Anderson – Property Assessor Bid
5. Proposer agrees to provide County with any additional information it deems necessary to accurately determine ability to perform the services proposed. Furthermore, submission of this proposal constitutes permission by this organization for the County to verify all information contained in the proposal. Failure to comply with any request for additional information may disqualify this organization from further consideration. Such additional information may include evidence of financial ability to perform.

B. Proposal Presentation

1. An original and five copies of the written proposal are required
2. The package containing the original and copies must be sealed and marked with the Proposer's name and "Personal Property Tax Assessment Audits, RFP"
3. Proposers must be in ink. Erasures and "white-out" are not permitted. Mistakes may be crossed out, corrections typed adjacent and initialed in ink by the person signing the proposal. Please identify all attachments, literature and samples, etc., with your firm name and our bid number.
4. Proposals must be verified before submission as they cannot be withdrawn or corrected after being opened. The County will not be responsible for errors or omissions on the part of the bidders in making up their proposals. A responsible officer or employee must sign proposals. Tennessee sales tax shall not be included in the Contractor's proposal.

C. Proposal Format

Response to this RFP must be in the form of a proposal package that must be submitted in the following format:

1. Cover Page – Submit a letter, on letterhead stationary, signed by a duly authorized officer, employee, or agent of the organization/firm submitted the proposal that must include the following information

- A. A statement that the proposal is being submitted in response to the Request For Proposal – Personal Property Tax Assessment Audits
- B. A statement indicating which individuals, by name, title, address, telephone number, and signature are authorized to negotiate with the County on behalf of the organization/firm
- C. A statement certifying that:
 - (i) The Proposer’s signatory is an agent authorized to submit proposals on behalf of the organization/firm
 - (ii) All declarations in the proposal and attachments are true to the best of reasonable knowledge
 - (iii) All aspects of the proposal, including costs, have been determined independently, without consultation with any other prospective Proposer or competitor for the purpose of restricting competition:
 - (iv) The offer made in the proposal is firm and binding for 90 days after receipt of the proposal by the County; and
 - (v) All aspects of this RFP and the Proposal submitted are binding for the duration if this proposal is selected and a contract awarded

2. Cost and Fees

- A. Complete the fee schedule for the Services, attached as Attachment 3 to this RFP. The fee shall include all direct labor, profit, overhead costs, and other associates costs related to the performance of the services
- B. Explain any assumptions or constraints in the fee proposal to perform the services
- C. Explain any additional charges or fees that may be required to perform the services
- D. Detail any additional subcontractor costs deemed necessary by the Proposer to perform the services

3. Experience

- A. Describe the experience the Proposer has in personal property tax assessment audits in major metropolitan areas
- B. Briefly describe the experience of Proposer’s key staff that will be working on any part of the Services, and include resumes for each
- C. List the experience of any prime sub-consultants that will be used in the performance of the services on the project
- D. Describe the methodology the Proposer will use to perform the services

IX Proposal Evaluation And Selection

A. Evaluation Process

1. Initial Review – All proposals will be initially evaluated to determine if they meet the following minimum requirements:
 - A. The proposal must be complete, in the required format, and be in compliance with the requirements of the RFP
 - B. Proposers must meet the Minimum Proposer Requirements outlined in Section II of this RFP
2. Technical Review – Proposals meeting the above requirements will be evaluated on the basis of the following criteria;
 - A. Ability to provide services in a timely manner (including, but not limited to, providing sufficient personnel, licensing, certification, calculations, documentation, estimates and all such services needed for the full completion of the Services
 - B. Fees (including any additional charges or fees)
 - C. Experience; and
 - D. Interview (if needed)

Selection will be based on determination of which proposal best meets the needs of the County and the requirements of this RFP

B. Contract Award

Contract(s) will be awarded based on a competitive selection of proposals received. The contents of the proposal of the successful Proposer will become contractual obligations and failure to accept these obligations in a contractual agreement may result in cancellation of the award.

The County reserves the right to negotiate any portions of the successful Proposer's fees and scope of work or utilize their own resources for such work.

ATTACHMENT 1

**RULES
OF
TENNESSEE STATE BOARD OF EQUALIZATION
CHAPTER 0600^{3/5}
ASSESSMENT OF COMMERCIAL AND INDUSTRIAL
TANGIBLE PERSONAL PROPERTY**

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0600-5-.01 DEFINITIONS.

- (1) "Adjusted assessment" shall be defined as any assessment made by the assessor on personal property at a value different from the value reported by the taxpayer or based on information different from the information reported by the taxpayer for the current year.
- (2) "Commercial and industrial tangible personal property", as defined by *T.C.A. §67-5-501(2)*, includes personal property such as goods, chattels, and other articles of value which are capable of manual or physical possession, and machinery and equipment which is:
- (a) used essentially and principally for the commercial or industrial purposes or processes for which it is intended; and
- (b) if affixed or attached to real property, can be detached without material injury to such real property.
- (3) "Construction - in - process tangible personal property (CIP)" shall be defined as tangible personal property which as of the assessment date is undergoing construction, assembly or installation prior to being committed to use.
- (4) "Fair market value" shall be defined in accordance with *T.C.A. §67^{3/4}5^{3/4}601*.
- (5) "Forced assessment" shall be defined as any assessment made on personal property when the taxpayer has failed to file a personal property schedule with the assessor for the current year, whether or not the assessment is the same as the previous year.
- (6) "Original cost" shall be defined as the gross capitalized cost before depreciation.
- (7) "Personal property", as defined by *T.C.A. §67^{3/4}5^{3/4}501(7)*, includes every species and character of property which is not classified as real property.

(8) "Raw material" shall be defined as items of tangible personal property, crude or processed, which are held or maintained by a manufacturer for use through refining, combining, or any other process in the production or fabrication of another item or product.

(9) "Regular assessment" shall be defined as an assessment made on personal property when the taxpayer has filed a personal property schedule with the assessor for the current year and the assessment is based on the information reported by the taxpayer.

ASSESSMENT OF COMMERCIAL AND INDUSTRIAL CHAPTER 0600-5
TANGIBLE PERSONAL PROPERTY

(Rule 0600-5-.01, continued)

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(10) "Residual value" shall be defined as the minimum standard value of property in use or capable of use.

(11) "Scrap value" shall be defined as the value of personal property no longer capable of use and for which there is no expectation of repair.

(12) "Straight line depreciation" for tangible personal property shall be defined as depreciation allocated in equal percentages over the economic life of the property and shall be calculated by dividing 100% by the economic life to achieve a yearly depreciation percentage. Percent good factors, also termed depreciation factors, derived from these yearly depreciation percentages shall be rounded to the nearest whole percent.

(13) "Supplies" shall be defined as expendable items of tangible personal property which are used or held for use in support of a business activity, including but not limited to office supply stocks, stocks of spare parts for maintenance of machinery and equipment, accessories used in manufacturing processes, printing supplies, and cleaning and maintenance supplies.

(14) "Tangible personal property", as defined by *T.C.A. §67-5-501(12)*, includes personal property such as goods, chattels, and other articles of value which are capable of manual or physical possession, and certain machinery and equipment, separate and apart from any real property, and whose value is intrinsic to the article itself.

Authority: *T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988. Amendment filed August 17, 1994; effective October 31, 1994.*

0600-5-.02 DISCOVERY.

(1) As a minimum, the following sources shall be used in order to discover potential commercial and

industrial personal property taxpayers:

(a) either a business license listing (which may be obtained from the county clerk) or a sales tax

registrant listing (which may be obtained from the Sales and Use Tax Division of the Tennessee Department of Revenue);

(b) the commercial and industrial real property assessment roll;

(c) personal knowledge.

(2) The following additional sources are recommended for use whenever possible for the discovery of businesses:

- (a) field visits;
- (b) telephone book;
- (c) new construction;
- (d) media news and advertising;
- (e) city directory;
- (f) local business directory;
- (g) chamber of commerce;

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TANGIBLE PERSONAL PROPERTY

(Rule 0600-5-.09, continued)

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- (h) building permits and electrical inspections;
- (i) commercial vehicle license plates;
- (j) uniform commercial code filings;
- (k) any other pertinent sources.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.03 CONTROL RECORDS.

- (1) An appropriate personal property control record (such as a control card) shall exist and be maintained for each personal property account.
- (2) Upon discovery of a new business, a control record shall be created for that business.
- (3) When a business ceases to exist, the control record for that business shall be removed from the active file and placed in an inactive file.
- (4) As a minimum, the control record for each account shall provide for the following:
 - (a) business name;
 - (b) property location;
 - (c) mailing address;
 - (d) type of business;
- (e) property identifier, to be linked to the property identifier of the real property where the personal property is located, when such can be determined;
- (f) tax year;
- (g) dates the schedule was furnished, returned, and desk audited;
- (h) date of any field audit;
- (i) assessment ratio (30% for commercial and industrial tangible personal property);
- (j) assessment;
- (k) type of assessment (such as R = regular, F = forced, A = adjusted).

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

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TANGIBLE PERSONAL PROPERTY

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0600-5-.04 REPORTING.

- (1) The tangible personal property schedule adopted in Rule 0600-5-.11 below shall be furnished annually by the assessor to every potential commercial and industrial personal property taxpayer on or before February 1. A substantially equivalent form may be used, provided that such form is approved by the

Division of Property Assessments.

(2) The taxpayer shall annually be required to complete, sign, and file the tangible personal property schedule with the assessor on or before March 1. Failure to file the schedule will subject the taxpayer to a penalty as provided by state law.

(3) In accordance with T.C.A., Title 67, the following types of tangible personal property are not to be reported or assessed;

- (a) growing crops;
- (b) the direct product of the soil in the hands of the producer or his immediate vendee;
- (c) finished goods in the hands of the manufacturer;
- (d) inventories of merchandise held for sale or exchange;
- (e) property in transit through the state to a final destination outside the state;
- (f) property imported from outside the United States, held in a foreign trade zone or subzone, and then exported to a location outside Tennessee.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.05 AUDIT.

(1) Desk audits shall be performed on all schedules returned. Items to be reviewed shall include:

- (a) depreciation;
- (b) math;
- (c) any evidence provided by the taxpayer regarding value;
- (d) comparable accounts;
- (e) previous year's assessment.

(2) Systematic field audits of individual accounts shall be performed as deemed necessary by the assessor

of property. In addition, random field audits shall be performed periodically. Nonreporting accounts, new accounts, major accounts, accounts with significant changes, and accounts suspected of improperly reporting may be emphasized. The purpose of the field audit shall be to determine if the taxpayer has reported properly or, if the taxpayer has not reported, to gather data for a forced assessment.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

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0600-5-.06 STANDARD VALUATION.

(1) In the absence of evidence to the contrary, the fair market value of commercial and industrial tangible personal property, except raw materials, supplies, and scrap property, shall be presumed to be either the original cost to the taxpayer less straight line depreciation or the residual value, whichever is greater. The grouping of personal property and the depreciation allowed for each group shall be

consistent with the schedule prescribed in Rule 0600-5-.11 below, and shall be based on a reasonable

economic life for that group of items.

(2) The fair market value of raw materials and supplies shall be presumed to be their original cost as

determined by the "first-in-first-out" (FIFO) method of accounting. in the absence of evidence to the

contrary.

(3) The residual value of personal property shall be presumed to be twenty percent (20%) of original cost,

in the absence of evidence to the contrary.

(4) The scrap value of personal property shall be presumed to be two percent (2%) of original cost, in the

absence of evidence to the contrary.

(5) In making forced assessments on non-reporting accounts, the following factors shall be considered:

(a) previous data on file for that account;

(b) data from comparable accounts;

(c) data collected during any field visits.

(6) Any tangible personal property which the taxpayer claims or will claim as CIP for federal income tax

purposes based on the status of the property on the assessment date for property taxes may be reported

by the taxpayer as CIP for property tax purposes. The value of CIP shall be presumed to be fifteen

percent (15%) of all direct and indirect costs incurred and claimed by the taxpayer for federal income

tax purposes as of the assessment date. The value of qualified pollution control equipment. whether or

not reportable as CIP, shall be governed by *T.C.A. §67-5-04*.

Authority: *T.C.A. §§4-3-5103, 67-5-902 and 67-5-903. Administrative History: Original rule filed August 29,*

1988; effective October 13, 1988. Amendment filed May 31, 1991; effective July 15, 1991. Amendment

filed August 17, 1994; effective October 31, 1994.

0600-5-.07 NONSTANDARD VALUATION.

(1) Notwithstanding the provisions of Rule 0600-5-.06, above, regarding standard valuation, the assessor

shall place a value on the property different from the value indicated by the standard valuation

provisions if there is sufficient evidence to warrant a different value and documentation of such

evidence is included in the file. The assessor shall consider the level of trade at which the property is

found and all other relevant and available evidence in determining a nonstandard value.

(2) The assessor shall report in writing to the Division of Property Assessments all instances where a

nonstandard value is placed on the property or requested by a taxpayer. The Division shall consider

such reports in making recommendations to the State Board of Equalization regarding any needed

revisions to these rules. The assessor may request the assistance of the Division of Property

Assessments in determining a nonstandard value.

Authority: *T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13,*

1988.

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0600-5-.08 NOTIFICATION.

- (1) At least ten calendar days before the local board of equalization commences its annual session, the assessor shall notify the taxpayer of any change in the assessment or classification of the taxpayer's personal property. Such notification of personal property assessment shall be sent to the taxpayer in the manner prescribed by law when:
- (a) an assessment is made on a new business;
 - (b) a change is made in an assessment;
 - (c) a forced or adjusted assessment is made.

- (2) A record of such notification shall be retained by the assessor for a period of not less than two years.

Authority: T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.09 MISCELLANEOUS.

- (1) In determining whether property should be assessed as real or personal, the following factors should be considered:

- (a) The apparent movability or permanency of the item in its location or attachment to the land or structure. The cost of moving the item and the amount of damage that will be incurred to the item, the land, or the improvement if the item is removed should be weighed against the value

of the item of property that is being considered. If the value of the item exceeds the moving cost and the amount of damage incurred, it is more likely to be considered personal property.

- (b) The primary purpose which the item serves. This factor would most generally concern an item that forms a part, or segment, of a series of functions in a manufacturing and/or processing system. If the item is more or less special purpose in nature and its practical use would not enhance the total property if the present or a similar manufacturing processing system were

not there, it is more likely to be considered personal property.

- (c) The stated intent of the owner. This element will come into focus most frequently where

leased premises are involved, although it must occasionally be considered where premises are owner-occupied. If the intent of the owner is to move the item upon relocation of the business, the item is more likely to be considered personal property, provided that such a move would

be probable, practical, and cost-effective.

- (2) In determining the proper taxable location, or situs, of personal property, the following factors are to be considered:

- (a) physical location;

- (b) permanency of the location;
- (c) home base of the property;
- (d) domicile of the owner;
- (e) location as of January 1.

The physical location is of prime importance in determining the taxable situs of property that is rarely

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or infrequently moved. For property that changes location from time to time, the relative permanency

of location in a particular place becomes important. If the property is moved with such frequency that

it has no more or less permanent location, the home base of the property (such as where it is garaged,

sent for repairs, or stored when not in use) is the most significant factor. If the home base cannot be

defined, then the domicile of the owner becomes the primary factor. Although the location as of

January 1 is a factor to be considered, often it is of nominal importance in determining situs.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.10 ENFORCEMENT.

(1) Should it be determined by the Division of Property Assessments that a jurisdiction is not in

compliance with these rules, the Division shall make a report of such noncompliance in writing to the

State Board of Equalization for the appropriate action.

(2) In determining the degree of compliance with these rules, the Division of Property Assessments may

review the records and procedures of the assessor and may perform any field audits of taxpayer returns

deemed relevant to the review.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.11 REPORTING SCHEDULE.

The following schedule or a facsimile shall be used by owners of commercial and industrial tangible personal

property to report ownership of such property to the assessor pursuant to T.C.A.

§67-5-903. A substantially

equivalent form may be used with prior approval of the director of the state Division of Property Assessments.

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Authority: T.C.A. §§4-3-5103, 67-5-902 and 67-5-903. **Administrative History:** Original rule filed August 29,

1988; effective October 13, 1988. Amendment filed May 31, 1991; effective July 15, 1991. Amendment

filed August 17, 1994; effective October 31, 1994.

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0600-5-.12 EFFECTIVE DATE.

These rules shall take effect on January 1, 1989.

Authority: T.C.A. §§4-3-5103 and 67-1-305. *Administrative History:* Original rule filed

August 29, 1988; effective

October 13, 1988.

ATTACHMENT 2

I. Selection Of Accounts To Be Audited

A. Random selection from all submitted schedules.

1. Determine the number of accounts to be audited.
2. Determine field of applicable accounts.
3. Obtain a random numbers table and by means of a random stab
Or other stab or other method, determine starting point or the first
Account selected.
4. Determine the interval between selections and continue until the
Number of accounts selected in 1. Above has been obtained.
5. Document all selection procedures and include them in the working
Papers.

B. Random selection from all forced schedules.

1. Determine the number of accounts to be audited.
2. Determine field of applicable accounts.
3. Obtain a random numbers table and by manes of a random stab or other
Stab or other method, determine starting point or the first account
Selected.
4. Determine the interval between selections and continue until the
Number of accounts selected in 1. above his has been obtained.
5. Document all selection procedures and include them in the working
Papers.

C. Selection based upon the size of a company.

1. Determine if the assessment or appraisal size of the company
Will be used.
2. Determine the minimum and maximum values to be included in
The sample.

3. Obtain a list of all the appropriate accounts and select the accounts To be audited.
 4. Document all selection procedures and include them in the working Papers.
- D. Selection from companies with records maintained locally with assets Within a certain dollar range.
1. Obtain a listing of all local accounts.
 2. Review list and select all accounts which fall within the range noted.
 3. Document all selection procedures and include them in the working Papers.
- E. Selection of companies with records maintained outside of the jurisdiction With assets within a certain dollar range.
1. Obtain a listing of all appropriate accounts.
 2. Review list and select all accounts which fall within the range noted.
 3. Document all selection procedures and include them in the working Papers.
- F. Selection based upon the results of desk audits.
1. Review file of desk audits in which problems were noted.
 2. Select for audit any accounts which cannot be resolved in the Office.
 3. Document all selection procedures and include them in the working Papers.
- G. Selection of multi-jurisdictional accounts.
1. Obtain a listing of accounts located in more than one jurisdiction.
 2. Based upon some criteria, make a selection of accounts to be audited.
 3. Contact other jurisdictions involved and make necessary arrangements To schedule the audit and avoid any unnecessary duplications.
 4. Document all selection procedures and include them in the working papers.

II. PREPARING FOR THE AUDIT

A. The initial telephone contact.

1. Review departmental records for the companies selected for audit
And record telephone numbers and the names of contact persons.
2. Prepare a preliminary schedule of audits based upon the most cost
Effective approach.
3. Telephone the appropriate companies and inform them of the audit,
Confirm the date and time.
4. Adjust the preliminary schedule for any changes.

B. The contact letter.

1. Prepare the standard contact letter, inserting the company name,
Address, and the date and time of the audit.
2. Mail the original letter and create an audit file for the duplicate.

III. HOUSE TESTING

A. Background testing

1. Review industry audit guides, similar companies in the industry
And other related testing to become aware of the company's
Operations.

B. Internal testing

1. Obtain the current and previous year's personal property schedule
For the company being audited.
2. Compare asset costs by group and year acquired between the
Two schedules.
3. Make note of any major changes in costs between years for
Follow up during field testing.
4. Note asset categories with large decreases for follow up during
Field testing. Determine through review of records and discussions
With company personnel if the assets have been sold, scrapped or
Otherwise disposed of. Make note of any unreconciled differences.

C, Lease information

1. Compare lease information submitted by the company in Part III Of the schedule with costs information submitted by the Lessor.
2. List differences to be resolved during the audit.
3. Based upon your knowledge of the industry, make note of assets Usually leased but not reported and follow up during the audit.

IV. PHYSICAL INSPECTION

- A. Arrange with the appropriate company personnel to take a tour of the Facility.
- B. Review the physical layout of the facility make note of questionable items Which may be classified as real estate.
- C. Examine raw material quantities on hand and compare with amount Reported on the personal property schedule.
 1. List any unreasonable differences for follow up
- D. Inspect supply and parts inventory on hand and determine if inventory Balances are maintained.
- E. Select a number of assets located in the plant and list. Include in this Selection new as well as old assets. These items will be agreed to fixed Asset records when field testing begins to determine if all assets are Being reported. Items not reported should be resolved.

V. DETAIL TESTING

Upon arriving at the audit site, ascertain that the company has made Available all documentation requested in your contact letter and begin Detail testing.

A. Chart of accounts

1. List all personal property account numbers in groups as they would Appear on the personal property schedule.
2. Thoroughly review chart of accounts and list in the appropriate group Any other asset, liability or expense account which may represent Items of tangible value.

3. If no supply inventory is maintained, list all expense account numbers Which represent the use of supplies.

B. Trial balance – general ledger at January 1st

1. Determine if company is on a calendar or fiscal year. If fiscal, determine Year-end date and the number of months included in the trial balance.
2. Record the year to date balances for all accounts listed in V.A.1 – V.A.3.
3. List any other accounts and balances noted in the appropriate groups.
4. Total the accounts listed in B.2 – B.3 above. These totals represent the Personal property asset balances per book.
5. Compare the totals in B.4 to the amounts reported on the personal Property schedule and list any differences.
6. Total the accounts listed in A.3 above.
7. Divide the total in B.6 by the number of months expired in the period. This total represented the estimated supply inventory. Compare this Amount to the amount reported in Group 8 of the personal property Schedule and list any differences.

C. Fixed asset detail listing

1. Foot schedule to agree to recorded totals.
2. Agree totals to trial balance – general ledger balances and to inclusion In audited financial statements. Note any unresolved differences.
3. Accumulate totals by category and year acquired and agree to the Personal property schedule. Record any unresolved differences.
4. Review building, leasehold improvements and all other real estate Sections of the fixed asset listing and record any items which appear To be personal property. List unresolved differences.
5. Agreed all items recorded in IV. E. to the fixed asset listing. Record Any unresolved differences.
6. List any assets or group of assets on the fixed asset list as personal property Not reported on the personal property schedule.
7. Record any assets on the fixed asset listing at zero value or at a value

Which appears insufficient.

D. Raw material listing

1. Foot schedules to agree to recorded totals.
2. Agree totals to general ledger and inclusion in audited financial Statements.
3. Determine if inventory is valued at LIFO, FIFO or some other Standard cost basis. If FIFO is not used, reserve and variance accounts Will have to be used to determine FIFO valuation.
4. Determine if any inventory is maintained at any outside locations And record any difference not reported on the personal property schedules.
5. Agree totals to raw materials portion of Group 8 of the personal property Schedule. Record any unresolved differences.

E. Rent, repairs and maintenance accounts

1. Review chart of accounts to determine accounts which should be tested.
2. Review current year's general ledger activity and list some major Disbursements.
3. Determine if expenditures represent maintenance items or capital Additions.
4. Record any capitalizable items as differences.

F. Construction in progress (cip) and capitalized interest

1. Review chart of accounts and general ledger to determine if cip and Capitalized interest balances are maintained.
2. Obtain detailed schedules and foot to agree.
3. Determine if any amounts represent real estate and exclude from total.
4. Determine physical location of items on January 1st and record as Appropriate.
5. Trace applicable cip totals to inclusion in Group 8 total on the Personal property schedule.

6. Check calculation of capitalized interest and agree to inclusion
In Group 8 total.

G. Current year acquisitions

1. From purchases and cash disbursements journals, randomly
Select several invoices representing fixed asset purchases.
2. Obtain invoices and supporting documents and check
Mathematical accuracy.
3. Agree totals including taxes, freight and installation to fixed
Asset records.
4. Determine that items received before January 1st but paid for
Later are properly included
5. Agree totals to raw materials portion of Group 8 of the Personal
Property schedule. Record any unresolved differences.

H. Latest year's franchise tax return

1. The franchise tax return will be needed when fixed asset balances
Cannot be obtained from the accounting records or the necessary
Records are not available. In which case this return is to be used
To compare to the personal property schedule. Note any
Unresolved differences.

IV. COMPLETION OF THE AUDIT

- A. Review audit program, complete and reference all steps as appropriate
- B. Discuss unresolved differences with appropriate company personnel
- C. Enter all differences by group and year acquired in the lotus spreadsheet
- D. Determine the amount of additional tax or refund for discussion with
Supervisor
- E. Number, sign and date all audit schedules
- F. Prepare time summary of hours worked on the audit and a memo
Describing any problems encountered
- G. Submit completed audit to supervisor for review

VII. EXIT CONFERENCES AND FINAL ADJUSTMENTS

- A. Mail audit report and a copy of the working papers to the Company along with the standard letter requesting written Notification if any exit conference is desired.
- B. If any exit conference is desired, determine the date and if Company personnel will attend or if a telephone conference Will be held.
- C. Review all additional information provided by the company And make necessary adjustments.
- D. Have all parties sign the attendance sheet.
- E. Incorporate all adjustments info the audit report and workpapers And provide a copy to the company.

ATTACHMENT 3

Personal Property Value Per Account Range				Rate Per Account
\$	1	to	\$ 20,000	\$ _____
\$	20,001	to	\$ 50,000	\$ _____
\$	50,001	to	\$ 100,000	\$ _____
\$	100,001	to	\$ 250,000	\$ _____
\$	250,001	to	\$ 500,000	\$ _____
\$	500,001	to	\$ 1,000,000	\$ _____
\$	1,000,001	to	\$ 4,000,000	\$ _____
\$	4,000,001	to	\$ 10,000,000	\$ _____
\$	10,000,001 and above			\$ _____